

The Cash Book

According to [MGL Ch. 41, Section 35](#), a treasurer “shall annually render a true account of all receipts and disbursements,” hence the necessity of keeping a cash book. The cash book is the source of original entry, organized by date, for recording all municipal receipts (evidenced by departmental turnovers, wire transfers, etc.) and deposits, as well as disbursements (summarized by payroll and vendor warrants). When accurately maintained, it reveals the total cash position of the community at any given time.

A cash book also serves as an important financial control when the treasurer reconciles it to monthly bank statements and then to the accountant's general ledger cash balance also on a monthly basis.

Historically, a treasurer's cash book was a bound, multi-column ledger that was kept manually. Each month, the beginning balance and the daily recording of receipts and deposits appeared on the left side and payments were listed on the right side. Typically, a separate record for each bank account was maintained, and the cash book was a summary of the various accounts.

Because municipal revenues have grown significantly and become increasingly complex, today, more communities are using automated applications (e.g., electronic spreadsheets, Quicken or Quickbooks) to keep the cash book. Advantages include the ability to import data from external sources, thereby avoiding the need to manually key entries, and the instant availability of cash balance information at any point in time, thereby eliminating the need to run an adding machine tape.

Shortly after the end of each month, the treasurer's office should internally reconcile the cash book to all bank statements. Since the cash reconciliation is a legal responsibility of the treasurer, even if it is assigned to a staff member, he or she is obligated to oversee the process to ensure its accuracy and timeliness. Once reconciled internally, the treasurer's office should reconcile to the accountant's general ledger as a further check and balance to ensure that funds are not missing and financial records are correct. If variances exist, the treasurer should begin the process of verifying cash book entries with source documents. (See Best Practices: Reconciliations)

Prompt and frequent reconciliations are essential in order to maintain control over cash. The treasurer's cash book is also a legal, permanent record. Therefore, at the end of each fiscal year, it should be printed, bound and retained in compliance with the Secretary of State's guidelines on record retention. (<http://www.sec.state.ma.us/arc/arcrmu/rmurds/rdsmds.htm>)